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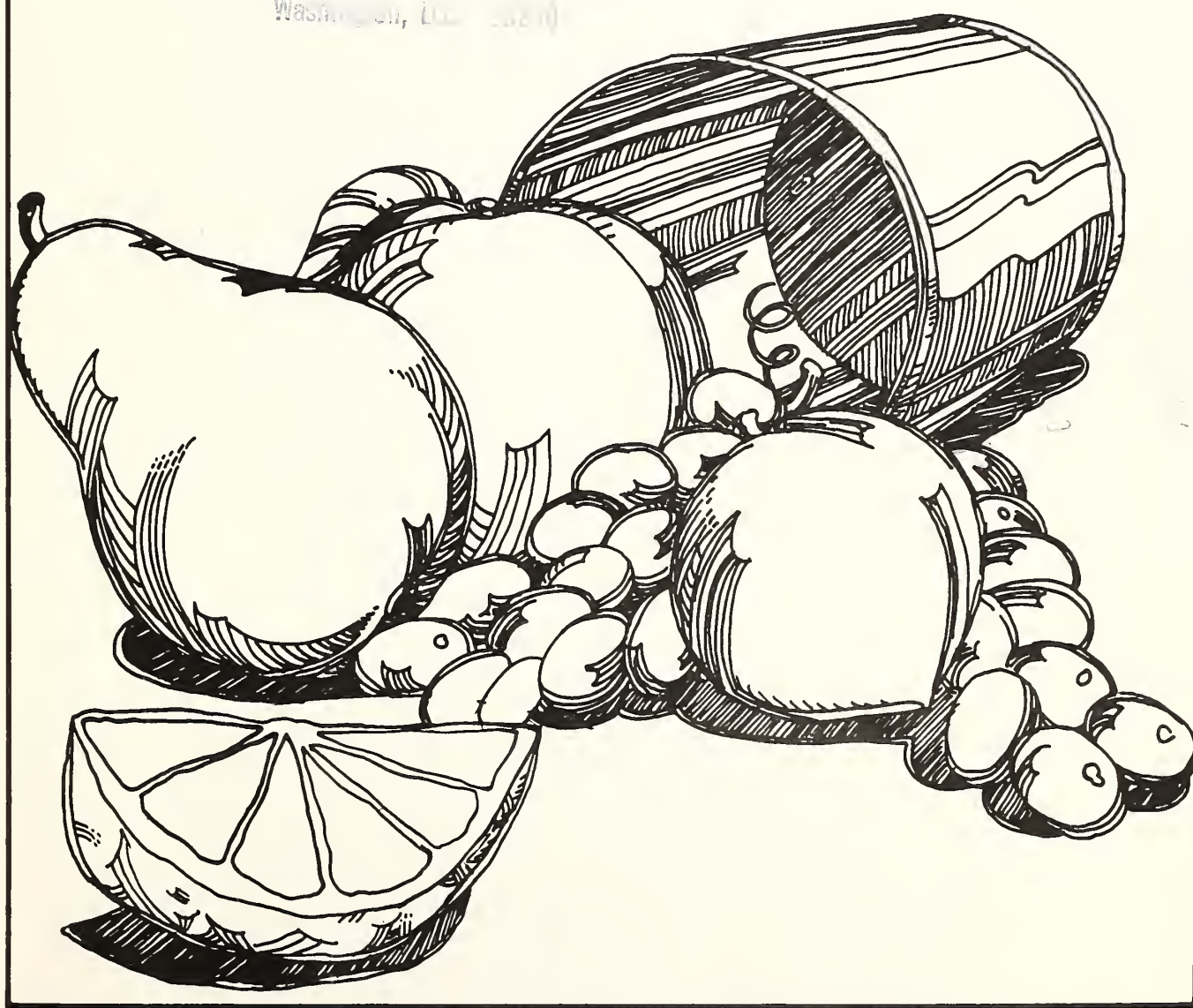
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# Marketing Strategies For Cooperatives Exporting Fruit To Western Europe

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**Marketing Strategies for Cooperatives Exporting Fruit to Western Europe,**  
Donald E. Hirsch. Cooperative Marketing and Purchasing Division; Agricultural Cooperative Service; U.S. Department of Agriculture. ACS Research Report No. 4.

**ABSTRACT**

U.S. fruit-exporting cooperatives are finding it increasingly difficult to maintain substantial sales to Western Europe. Import restrictions, particularly in the European Community, and larger supplies from various parts of the world, have reduced sales of some U.S. fruits. This report identifies alternative marketing strategies and recommends action to enable U.S. cooperatives to compete more effectively in Western European markets. Fruit-exporting cooperatives should initiate a study with either of two goals: (1) at the least, establish a joint transocean freight cooperative, or (2) preferably, create a coordinated worldwide export marketing program to serve not only U.S. fruit-exporting cooperatives but also associations exporting vegetables, tree nuts, and peanuts.

**Keywords:** Cooperatives, Exports, Fruits, Marketing strategy.

## PREFACE

This is one of a series of publications developed by the Cooperative Marketing and Purchasing Division, Agricultural Cooperative Service (ACS), to help U.S. farmer cooperatives solve problems and capitalize on opportunities in exporting. It is the first report devoted to fruit exporting by cooperatives.

This publication is based on a study involving export executives of six U.S. fruit cooperatives. Valuable assistance was provided by U.S. agricultural counselors/attaches and their staffs in the United Kingdom, Denmark, Sweden, the Federal Republic of Germany, and France, and the staffs of the U.S. agricultural trade offices in London and Hamburg.

A set of eight statistical tables was compiled specifically for use in this report by the Western Europe Branch of the International Economics Division, Economics and Statistics Service. That branch, and the Horticultural & Tropical Products Division of the Foreign Agricultural Service, reviewed the section on Import Restrictions prior to clearance for publication.



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## HIGHLIGHTS

U.S. fruit-exporting cooperatives are confronted with increased competition and declining net margins in sales to Western Europe, their largest foreign market.

Import restrictions, high costs for transocean shipping, and increased competition from other countries are limiting fruit export deliveries. The prospect of several fruit-growing countries, Greece, Spain, and Portugal, joining the European Community and enjoying member status, portends further sales problems for U.S. fruit exporters.

However, fruit cooperatives have penetrated more deeply into export marketing than other U.S. cooperatives, and have the following advantages to maintain sales and competitive positions:

- Many overseas sales offices.
- A large share of total U.S. exports of the commodities they handle.
- Established sales outlets.
- High proportions of direct sales to foreign buyers.
- A history of dependability.
- Recognized brand names.

U.S. fruit cooperatives should initiate an economic study to evaluate two alternative goals: (1) establishment of a joint transocean freight cooperative to serve fruit exporters shipping to Western Europe, and (2) development of a coordinated, worldwide export-marketing program including associations that export vegetables, tree nuts, and peanuts.



# Marketing Strategies For Cooperatives Exporting Fruit to Western Europe

*Donald E. Hirsch*

*Cooperative Marketing and Purchasing Division*

U.S. fruit-exporting cooperatives need to reexamine and revise their marketing strategies to remain competitive in the Western European market.

This report is designed for use by executives and directors of farmer cooperatives that now or will export fresh and processed fruits to Western European countries. It may also interest their counterparts in cooperatives that export nuts and vegetables, because of similarities in marketing practices and distribution channels.

This report:

- Presents and interprets data for total U.S. exports of selected fruits to Western Europe.
- Describes the Western European market area.
- Incorporates significant comments by foreign importers.
- Outlines alternative marketing strategies for individual associations and groups of cooperatives.
- Presents basic conclusions relative to export problems and opportunities.
- Recommends a course of action for consideration by executives and directors of fruit cooperatives, as well as nut and vegetable cooperatives, that will enable them to serve grower-members more efficiently through coordinated export marketing programs.

## BACKGROUND

Fruit-exporting cooperatives are a large and important part of the total U.S. fruit export trade. In 1976, the latest year for which such data are available, they sold 70 percent of the fresh citrus and more than 28 percent of the processed fruit exported from this country. As a group, these cooperatives are well-established, have extensive contacts and experience in many parts of the world, and possess a large reservoir of expertise.

The Western European market has traditionally been their major outlet overseas, but that market has been altered by political and economic changes. Further changes, such as expansion of the European Community, are anticipated. Most of them will make it more difficult for U.S. fruit exporters to compete.

Previous publications provide statistical and descriptive information about various aspects of cooperative exporting of fruit and other commodities, including discussions of sales and distribution channels, market research, relations with buyers and representatives, delivery and payment terms of sale, pricing, financing, shipping, documenting, and foreign countries of destination.<sup>1</sup>

Two basic concepts receive special attention throughout this report: market intelligence and marketing strategy.

In the export trade, market intelligence refers to assembly and evaluation of a broad range of information pertaining to opportunities for sale of a specific commodity or group of commodities in a selected foreign market. Market intelligence includes information about effective demand, competitive conditions, import requirements and restrictions, prices, sales outlets, distribution channels, payment and delivery terms of sale, product and packaging specifications, shipping requirements, supply schedules, and other information that will help the seller initiate or increase export sales.

Marketing strategy refers to development and use of carefully constructed plans designed to attain specific objectives that will enable the exporter to increase the scale or efficiency of his export program. They are tailored to the expertise, commodity mix, and other resources of the exporter and based in large part on market intelligence. Specific kinds of strategies are identified in a separate section of this report.

A preliminary report, entitled *Market Intelligence Information for Cooperatives Exporting Fruit to Western Europe*, was prepared by the author of this publication to provide prompt delivery of certain information of special interest to cooperatives participating in the study. The basic thrust of this publication is quite different; it is designed to stimulate consideration by cooperative executives and directors of ways in which they may better serve grower-members by developing new export-marketing strategies and programs.

## NATURE OF STUDY

This is a business-oriented analysis, rather than a broad economic study, market development project, or international trade policy assessment.

The first step in the study was to contact executives of 55 fruit and vegetable marketing cooperatives to determine whether they would be interested in participating in a fruit and vegetable export research project. Most of the cooperative executives either had no

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<sup>1</sup>Donald E. Hirsch, *Export Marketing Guide for Cooperatives*, Farm. Coop. Serv., U.S. Dept. of Agri., Mktg. Res. Rpt. 1074, March 1977, 87 pp.

Donald E. Hirsch, *Fruit Cooperatives Use Many Tools of the Export Trade*, Amer. Inst. of Coop., 1978-79 Yearbook, 1979, pp. 275-280.

Donald E. Hirsch, *Fruit Cooperatives Among Exporting Elite*, Econ., Stat., and Coop. Serv., U.S. Dept. of Agri., "Farmer Cooperatives," February 1979, pp. 14-16.

Donald E. Hirsch, *Agricultural Exports by Cooperatives*, Econ., Stat., and Coop. Serv., U.S. Dept. of Agri., FCRR-5, August 1979, 92 pp.

interest in exporting, or believed their cooperatives were so well established in exporting that the results of a new study would be of little or no benefit to them.

Six fruit-exporting cooperatives, with headquarters in five different States, participated fully in this study, and a seventh limited its participation to the proposed export sales lead survey. As a group, the six had accounted for about 20 percent of all fruit exporting cooperatives in 1976, the last year for which nationwide data are available, and an equal proportion of the latter's direct export sales of fruits and fruit products that year. Thus, they were a significant segment of the cooperative fruit export business.

The following are the fruit commodities/commodity groups available for export by the participating cooperatives:

Apples, processed	Grapefruit, fresh
Apricots, dried	Kiwi fruit, fresh
Avocados, fresh	Limes, fresh
Avocados, processed	Mangoes, fresh
Blueberries, fresh	Mixed fruits, dried
Blueberries, frozen	Oranges, fresh
Dates, dried	Papayas, fresh
Figs, dried	Peaches, dried
Fruit pie fillings	Prunes, dried
Fruit toppings	

Only one of these commodities, processed apples, was exported by more than one of the participating cooperatives.

The second step in the study was to contact European import firms serving major markets in 1980. Personal interviews were held with nearly all of the importers but several were contacted via telephone or letter. Seven importers were contacted in the London market, six in Hamburg, five in Copenhagen, and three each in Stockholm, Rotterdam, and Paris.

The importers represent a broad range of the fruit import business in Western Europe. Some are very large, some are medium-size, and a few are relatively small. Some are completely independent, others are parts of integrated businesses (cartels), some imported for groups of independent retailers, and others served consumer cooperative societies only.

Names of participating cooperatives were not given to importers. As a result, the initiative for developing sales was placed entirely in the hands of the cooperatives.

A total of 121 sales leads were referred to 12 U.S. exporting cooperatives, 113 to the 7 associations interested in sales leads, and 8 to 5 other associations for 16 fruit and non-fruit commodities not handled by the 7 associations.

The opinions of individual importers on market outlook for sales of U.S. fruits, reliability of U.S. cooperatives compared with competitors in this and other countries, and

changes in operations that might enable some of those cooperatives to compete more effectively in Western European markets were received, compared and evaluated. This information was used in developing an analysis of marketing strategy alternatives. Relevant export data, and general information about trade restrictions of the European Community (EC), were obtained to help put the cooperatives' operations and opportunities into broad perspective.

Cooperatives that export fruit to Western Europe and Japan will find two reports helpful: *Scandinavian Markets for Fresh and Processed Fruits and Vegetables*, Neil Lawrance, For. Agri. Serv., U.S. Dept. of Agri., FAS M-283, 59 pp. June 1978, and *A Guide for U.S. Exporters of Fresh and Processed Fruits and Vegetables to Japan*, Michael L. Humphrey, For. Agri. Serv., U.S. Dept. of Agri., FAS M-293, 74 pp. March 1980.

## EXPORT DATA

Data here pertain to only the specific fresh and processed fruits available for export by the six cooperatives participating in the project, but the numbers are for total U.S. exports of those commodities, not just cooperative exports.

Export data are not available from any one source for every one of the individual products listed earlier, but data used in the study are the most comprehensive and up-to-date that can be obtained.

*Denmark.* Prunes accounted for 90 percent of the selected fruits going to Denmark in 1979. Dates were the only other selected fruit shipped to that country. The volume of prunes exported to Denmark increased about 9 percent from 1977 to 1979, while the value rose about 65 percent (table 1).

*Federal Republic of Germany (West Germany).* Prunes also were the major U.S. fruit export to this country, with a value in 1979 of \$6.6 million, but slightly lower than 1978. Exports of fresh grapefruit and dried apricots, peaches, and pears combined exceeded \$1 million in 1979 (table 2).

*France.* U.S. exports of grapefruit rose in 1979 to 36,634 metric tons valued at over \$11 million. The volumes of fresh avocados and dates dropped sharply in 1979 but still were substantial for those commodities. U.S. exports of fresh oranges (excluding Temple) declined in quantity but increased in value (table 3).

*The Netherlands.* This country, like France, is a very large importer of U.S. fresh grapefruit. The export value of dates and avocados dropped sharply in 1979 compared with 1978, while exports of fresh oranges (excluding Temple) declined in volume but rose in value. Most U.S. exports of fruits to the other five selected countries normally are for consumption in those countries, but much of the agricultural import volume of the Netherlands is transshipped to other countries (table 4).

*Sweden.* As in Denmark and the Federal Republic of Germany, prunes were the major fruit import (within the selected group of commodities) from the United States. The tonnage of dates imported rose sharply in 1979, and the value was 170 percent higher than in 1978. Citrus accounted for most of the other imports of the selected fruits from the United States (table 5).



Table 1—U.S. fruit exports to Denmark: Quantity and value by commodity, 1977-79

Commodity <sup>1</sup>	Quantity			Value		
	1977	1978	1979	1977	1978	1979
	<i>Metric tons</i>			<i>1,000 dols.</i>		
Apricots, peaches, pears, dried	NA	0	0	NA	0	0
Avocados, fresh	0	0	0	0	0	0
Blueberries, fresh	0	0	0	0	0	0
Grapefruit, fresh	0	0	0	0	0	0
Limes, fresh	0	0	0	0	0	0
Oranges, Temple, fresh	NA	0	0	NA	0	0
Oranges, other, fresh	NA	0	0	NA	0	0
Apples, dried	0	0	0	0	0	0
Dates, dried	258	113	290	430	207	466
Figs, dried	0	0	0	0	0	0
Prunes, dried	2,582	2,704	2,815	2,478	3,225	4,079
Total	2,840 <sup>2</sup>	2,817	3,105	2,908 <sup>2</sup>	3,432	4,545

Table 2—U.S. fruit exports to Federal Republic Of Germany: Quantity and value by commodity, 1977-79

Commodity <sup>1</sup>	Quantity			Value		
	1977	1978	1979	1977	1978	1979
	<i>Metric tons</i>			<i>1,000 dols.</i>		
Apricots, peaches, pears, dried	NA	225	361	NA	451	1,084
Avocados, fresh	0	0	0	0	0	0
Blueberries, fresh	0	0	0	0	0	0
Grapefruit, fresh	2,516	4,467	4,605	553	1,248	1,427
Limes, fresh	0	0	0	0	0	0
Oranges, Temple, fresh	NA	0	0	NA	0	0
Oranges, other, fresh	NA	1,925	219	NA	640	107
Apples, dried	112	48	4	242	123	7
Dates, dried	130	151	130	183	259	255
Figs, dried	41	78	34	45	93	38
Prunes, dried	3,454	5,158	3,746	3,557	6,684	6,605
Total	6,253 <sup>2</sup>	12,052	9,099	4,580 <sup>2</sup>	9,498	9,523

<sup>1</sup>The selected commodities were available for export by six U.S. cooperatives in 1980. Data were not obtainable for every commodity they had available.

<sup>2</sup>Incomplete.

NA—Data are not available for this commodity (or commodity group) for 1977. Exports of it, if any, were included in a larger category of fruits that was not used in this publication.

Source: Western Europe Branch, International Economics Division, Economics and Statistics Service, U.S. Department of Agriculture.

**Table 3—U.S. fruit exports to France: Quantity and value by commodity, 1977-79**

Commodity <sup>1</sup>	Quantity			Value		
	1977	1978	1979	1977	1978	1979
	<i>Metric tons</i>			<i>1,000 dols.</i>		
Apricots, peaches, pears, dried	NA	0	0	NA	0	0
Avocados, fresh	572	571	295	950	950	518
Blueberries, fresh	0	0	0	0	0	0
Grapefruit, fresh	25,479	34,630	36,634	6,258	8,106	11,104
Limes, fresh	0	187	97	0	67	60
Oranges, Temple, fresh	NA	0	0	NA	0	0
Oranges, other, fresh	NA	1,740	1,542	NA	560	630
Apples, dried	0	0	0	0	0	0
Dates, dried	1,004	1,252	513	786	1,106	537
Figs, dried	0	0	0	0	0	0
Prunes, dried	12,527	5,137	1,909	12,755	5,876	2,760
Total	39,582 <sup>2</sup>	43,517	40,990	20,749 <sup>2</sup>	16,665	15,609

**Table 4—U.S. fruit exports to the Netherlands: Quantity and value by commodity, 1977-79**

Commodity <sup>1</sup>	Quantity			Value		
	1977	1978	1979	1977	1978	1979
	<i>Metric tons</i>			<i>1,000 dols.</i>		
Apricots, peaches, pears, dried	NA	24	63	NA	94	202
Avocados, fresh	0	0	0	0	0	0
Blueberries, fresh	0	0	0	0	0	0
Grapefruit, fresh	25,510	33,204	32,306	7,223	7,707	9,922
Limes, fresh	0	108	183	0	39	74
Oranges, Temple, fresh	NA	1,202	899	NA	364	306
Oranges, other, fresh	NA	18,116	15,666	NA	6,382	7,087
Apples, dried	103	211	161	279	558	359
Dates, dried	0	0	0	0	0	0
Figs, dried	0	0	0	0	0	0
Prunes, dried	873	995	772	978	1,425	1,311
Total	26,486 <sup>2</sup>	53,860	50,050	8,480 <sup>2</sup>	16,569	19,261

<sup>1</sup>The selected commodities were available for export by six U.S. cooperatives in 1980. Data were not obtainable for every commodity they had available.

<sup>2</sup>Incomplete.

NA—Data are not available for this commodity (or commodity group) for 1977. Exports of it, if any, were included in a larger category of fruits that was not used in this publication.

Source: Western Europe Branch, International Economics Division, Economics and Statistics Service, U.S. Department of Agriculture.

Table 5—U.S. fruit exports to Sweden: Quantity and value by commodity, 1977-79

Commodity <sup>1</sup>	Quantity			Value		
	1977	1978	1979	1977	1978	1979
	<i>Metric tons</i>			<i>1,000 dols.</i>		
Apricots, peaches, pears, dried	NA	104	47	NA	276	183
Avocados, fresh	0	0	0	0	0	0
Blueberries, fresh	0	0	0	0	0	0
Grapefruit, fresh	820	545	1,119	230	181	407
Limes, fresh	0	938	754	0	335	271
Oranges, Temple, fresh	NA	0	0	NA	0	0
Oranges, other, fresh	NA	1,445	655	NA	522	307
Apples, dried	29	34	13	64	103	48
Dates, dried	242	198	451	363	343	933
Figs, dried	8	83	49	8	92	54
Prunes, dried	2,179	3,008	2,233	2,568	4,517	3,929
Total	3,278 <sup>2</sup>	6,355	5,321	3,233 <sup>2</sup>	6,369	6,132

Table 6—U.S. fruit exports to the United Kingdom: Quantity and value by commodity, 1977-79

Commodity <sup>1</sup>	Quantity			Value		
	1977	1978	1979	1977	1978	1979
	<i>Metric tons</i>			<i>1,000 dols.</i>		
Apricots, peaches, pears, dried	NA	55	115	NA	63	164
Avocados, fresh	0	61	270	0	76	356
Blueberries, fresh	0	0	0	0	0	0
Grapefruit, fresh	1,539	3,711	2,363	449	1,258	813
Limes, fresh	0	0	0	0	0	0
Oranges, Temple, fresh	NA	0	0	NA	0	0
Oranges, other, fresh	NA	3,729	195	NA	1,126	78
Apples, dried	52	96	31	120	284	83
Dates, dried	501	196	326	902	358	599
Figs, dried	0	0	0	0	0	0
Prunes, dried	2,517	2,265	2,504	2,386	2,523	3,424
Total	4,609 <sup>2</sup>	10,113	5,804	3,857 <sup>2</sup>	5,688	5,517

<sup>1</sup>The selected commodities were available for export by six U.S. cooperatives in 1980. Data were not obtainable for every commodity they had available.

<sup>2</sup>Incomplete.

NA—Data are not available for this commodity (or commodity group) for 1977. Exports of it, if any, were included in a larger category of fruits that was not used in this publication.

Source: Western Europe Branch, International Economics Division, Economics and Statistics Service, U.S. Department of Agriculture.

*United Kingdom.* Prunes accounted for more than 60 percent of the U.S. exports of the selected group of fresh and processed fruits. Imports of U.S. dates rose sharply in volume and value in 1979. U.S. exports of fresh avocados to the United Kingdom rose most dramatically in relative terms. They went from zero in 1977 to 270 metric tons valued at \$356,000 in 1979 (table 6).

Exports of the selected fruits to the six Western European countries in 1979 are compared in table 7. In terms of dollar value, the commodities rank as follows:

Rank	Commodity	Value 1,000 dols.
1	Grapefruit, fresh	23,673
2	Prunes, dried	22,108
3	Oranges, other, fresh	8,209
4	Dates, dried	2,790
5	Apricots, peaches, pears, dried	1,633
6	Avocados, fresh	874
7	Apples, dried	497
8	Limes, fresh	405
9	Oranges, Temple, fresh	306
10	Figs, dried	92

Fresh grapefruit ranked first among the selected commodities in only France and the Netherlands, and prunes ranked first in the other four (Denmark, Federal Republic of Germany, Sweden, and the United Kingdom).

The third largest value for any listed commodity to any one country in 1979 was \$7.1 million for fresh oranges (excluding Temple) to the Netherlands. In no other country was the import value of this commodity as much as 10 percent of the Netherlands figure.

The Federal Republic of Germany was the cooperatives' primary market for fresh avocados; the Netherlands was the sole market for Temple oranges, and the major market for relatively small exports of dried apples in 1979.

The selected group of fruits exported by the six cooperatives did not account for as much as half the combined export value of all U.S. fruits exported by all U.S. exporters to any of the six countries in 1979. However, in France and the Netherlands the value of the cooperatives' selected exports was close to half of the total U.S. fruit exports (table 7).

The combined total of all U.S. fruit exports to the six countries was highest in 1979, but only three countries (Denmark, the Netherlands, and the United Kingdom) individually reached their 3-year high in 1979 (table 8).

Table 9 is based on interviews made during the course of this study and provides a measure of importers' interest in specific fruits. An "X" indicates that one or more importers in a given market expressed interest in new or additional purchases of the commodity; a blank space indicates that no importer expressed interest in that commodity



**Table 7—U.S. fruit exports to six Western European countries: Value by commodity and country, 1979**

Commodity	Fed. Rep.		Nether-		United		Total
	Denmark	Germany	France	lands	Sweden	Kingdom	
1,000 dols.							
Apricots, peaches, pears, dried	0	1,084	0	202	183	164	1,633
Avocados, fresh	0	0	518	0	0	356	874
Blueberries, fresh	0	0	0	0	0	0	0
Grapefruit, fresh	0	1,427	11,104	9,922	407	813	23,673
Limes, fresh	0	0	60	74	271	0	405
Oranges, Temple, fresh	0	0	0	306	0	0	306
Oranges, other, fresh	0	107	630	7,087	307	78	8,209
Apples, dried	0	7	0	359	48	83	497
Dates, dried	466	255	537	0	933	599	2,790
Figs, dried	0	38	0	0	54	0	92
Prunes, dried	4,079	6,605	2,760	1,311	3,929	3,424	22,108
Subtotal <sup>1</sup>	4,545	9,523	15,609	19,261	6,132	5,517	60,587
Other fruits <sup>2</sup>	7,749	26,600	17,589	21,325	22,609	20,105	115,977
All fruits <sup>3</sup>	12,294	36,123	33,198	40,586	28,741	25,622	176,564

<sup>1</sup>The selected commodities were available for export by six U.S. cooperatives in 1980. Data were not obtainable for every commodity they had available.

<sup>2</sup>Includes exports by the six U.S. cooperatives for which data were not available, but consists mainly of fruit exports by other U.S. exporters.

<sup>3</sup>Includes all fruits exported by all U.S. exporters, including the six cooperatives participating in this study.

**Table 8—U.S. fruit exports to six Western European countries: Total value of all fruits, by country, 1977-79<sup>1</sup>**

Country	Value		
	1977	1978	1979
<i>1,000 dols.</i>			
Denmark	9,195	10,019	12,294
Fed. Rep. Germany	30,923	42,536	36,123
France	37,901	31,215	33,198
Netherlands	36,646	36,449	40,586
Sweden	26,943	30,039	28,741
United Kingdom	25,343	22,912	25,622
Total	166,951	173,170	176,564

<sup>1</sup>Includes all fruits exported to these countries by all U.S. exporters, including the six cooperatives participating in this study.

Source: Western Europe Branch, International Economics Division, Economics and Statistics Service, U.S. Department of Agriculture.

or in seeking an additional supplier for it. The table does not show the complete picture, however. For example, an exclusive sales representative for a U.S. cooperative shipping prunes to Denmark might be keenly interested in U.S. prunes but not in seeking a new source of supply; that kind of interest would not be reflected in the table.

The number of importers contacted in April 1980 varied from three to seven per market. Thus, to cite numbers of "interested" importers could be misleading.

Table 9, subject to the limitations mentioned, indicates that interest in specific fruits varies considerably among the six markets visited. For example, in only one market was there interest in fresh limes, in two for fresh oranges, but in four markets for fresh grapefruit.

**Table 9—Markets in six Western Europe countries in which one or more importers were interested in commodities available from six U.S. fruit-exporting cooperatives April 1980<sup>1</sup>**

Commodity or commodity group	Market <sup>2</sup>						Total markets
	London	Copenhagen	Stockholm	Hamburg	Rotterdam	Paris	
Apples, processed	X	X		X			3
Apricots, dried		X	X	X	X		4
Avocados, fresh				X	X	X	3
Avocados, processed	X	X		X			3
Blueberries, fresh	X	X			X		3
Blueberries, frozen		X		X			2
Dates, dried	X	X	X		X		4
Figs, dried		X	X		X		3
Fruit pie fillings		X		X			2
Fruit toppings		X					1
Grapefruit, fresh	X		X		X	X	4
Kiwi fruit, fresh		X	X	X	X	X	5
Limes, fresh					X		1
Mangoes, fresh	X				X	X	3
Mixed fruits, dried		X	X	X	X		4
Oranges, fresh					X	X	2
Papayas, fresh	X			X	X	X	4
Peaches, dried		X	X		X		3
Prunes, dried	X		X	X	X		4
Total commodities	8	12	8	10	14	6	<sup>3</sup>

<sup>1</sup>An "X" indicates that one or more importers in a given market expressed interest in new or additional purchases of the commodity. A blank space indicates no importer interest in that commodity or in seeking an additional supplier for it.

<sup>2</sup>In one instance, the importer was located in the same country as the city named but not actually in that city or a suburb.

<sup>3</sup>Totals: 19 commodities and 6 markets.

As shown previously, U.S. prunes accounted for the largest dollar volume of exports to four of the six countries in 1979. They also were of interest in four markets in April 1980.

Only fresh kiwi fruit aroused interest in as many as five of the six markets in April 1980; U.S. exports of that commodity in 1979 were too small to report. The expressions of interest reflect a rapidly increasing demand in much of Western Europe.

The situation for papayas is somewhat similar to that for kiwi fruit; U.S. supplies are small, and demand is growing.

Importers in three of the six markets were interested in importing fresh blueberries. No U.S. fresh blueberries were exported to any of these six markets in 1979; however, several importers reported that Canadian blueberries are on their markets when in season. Relatively few Western European consumers are familiar with the U.S./Canadian blueberries, but some importers expect the market to grow.

Dried fruits in general appeared to be of above-average interest in four of the six markets.

## **WESTERN EUROPEAN MARKET**

Significant features of the Western European market for U.S. fruits, in terms of the environment in which trade takes place, are identified here. A brief discussion of problems arising from import restrictions will be followed by descriptions of other characteristics of the market.

### **Import Restrictions**

Cooperative employees selling fruit to Western Europe must be aware of the complex system of import regulations established within the European Community (EC).

Five of the six markets visited during the course of this study are located in countries that are members of the EC; the sole exception is Stockholm.

The Treaty of Rome established the EC in March 1957. The signatory countries were Belgium, France, Italy, Federal Republic of Germany, Luxembourg, and the Netherlands. The agricultural policies of these countries differed considerably, and in 1962 a common agricultural policy was adopted. The objectives were to: (1) enable agricultural commodities produced in member-countries to move freely among those countries; (2) protect EC market prices from below-cost imports and world market price fluctuations, by applying duties, levies, or tariffs to raise prices of imported products to the established levels for EC-produced commodities; and (3) subsidize EC exports.

Preferential treatment is given by the EC to imports from many other countries. Included are those from Israel, former colonies of France, and virtually every citrus-producing country in the Mediterranean area, but not those from the United States.

The United Kingdom, Ireland, and Denmark produce relatively few kinds of fruits, and their addition to the EC reduced export sales possibilities for U.S. exporters. Greece and Spain likely will become members in the early eighties; and Portugal is expected to become a member later in the eighties. The addition of the latter three countries, and

the competitive advantage their commodities will have, may adversely affect U.S. exports of citrus and raisins.

Thus, the number of member countries presumably will rise from the original 6 to 12 later in this decade.

Many U.S. exporters and EC importers believe that opportunities for EC imports of U.S. fruits have been reduced over the years, and further reductions are likely. Some of the ideas and opinions expressed by EC fruit importers in April 1980 may be summarized as follows:

- Production of many fruits has risen substantially in the EC during the last two decades and, in some instances, about equals demand. Further, EC tariffs vary seasonally and are highest when local supplies are greatest, making it especially difficult to buy certain U.S. fruits, such as fresh apples, that are harvested and marketed at about the same time of year as the EC crops. As a result of these changes U.S. exporters of those fruits can compete effectively in only the occasional years when EC production is low.
- Preferential treatment extended to some nonmember supplier countries results in lower prices for their fresh and processed fruits than for imports from the United States. Large quantities of U.S. fruits cannot be imported, except in years when production is low in the preferred countries.
- Import duties on some U.S. fruits (fresh Emperor table grapes, for example) remain high during winter months even though supplies from other countries then are negligible.
- Many of the processed fruits from the United States are the world's best in terms of quality, but high import duties are applied and often result in prices so high that EC importers cannot afford to buy them in as large volumes as desired.
- If Greece, Spain, and Portugal become full members of the EC, Western Europe will be self-sufficient for many of the fresh and processed fruits available from the United States.
- Deteriorating economic conditions in some EC member-countries may make existing deterrents to imports of U.S. fruits even more significant during the next several years. Consumer demand for all imported fruits may decline, and the price disadvantage for U.S. fruits may be greater.

Not all importers were so pessimistic, however. For example, one said that California raisins are of uniquely high quality; although prices for Greek raisins are expected to decline if Greece becomes a full member of the EC, he anticipates that they will not be able to replace the U.S. raisins.

If Spain, Greece, and Portugal gain full membership in the EC, these countries likely will market proportionately more of their fruit within the EC and ship less to non-EC countries. Although this will mean increased competition on EC markets, U.S. fruit-exporting cooperatives may be able to sell larger volumes on non-EC markets. However, other non-



member countries—including South Africa and Israel—will be at a competitive disadvantage in the EC markets compared with the three new member-countries, and they also may increase their exports to non-EC markets.

The EC includes most of the major fruit-importing markets in Western Europe. Thus, the net impact of the EC expansion will likely be a reduction in imports of some major U.S. fruits.

None of the importers commented on the Tokyo-Geneva round of multinational trade negotiations completed in April 1979, but those talks may lead to a modest increase in U.S. fruit exports to the EC in future years. The negotiations involved both tariff and nontariff barriers to imports of agricultural commodities. One researcher has estimated that EC reductions in tariffs on U.S. fruits and vegetables could lead to a 9-percent increase in U.S. exports of those commodity groups; this would be \$8 million above the 1976 level.<sup>2</sup>

Associations having little or no export experience in the EC can obtain additional information from FAS about the restrictions affecting their specific commodities.

## Other Market Characteristics

For the two decades after World War II, production from the war-ravaged orchards and fields of Western Europe could not fulfill the needs of Western Europeans for fruits and many other agricultural commodities. Imports from the United States were sought eagerly. Now Western Europe is self-sufficient for many of these commodities and has surpluses of some.

Other countries have developed huge supplies of food for sale to Western Europe, including tropical fruits that cannot be produced efficiently in most of that area. Many of these countries that serve as alternative sources of supply not only have minimal import restrictions to meet but also a geographic location advantage that results in lower freight costs.

Thus, shippers in many countries that compete with U.S. shippers now have large volumes they can deliver at low prices. In some instances, average quality at time of delivery has risen due to improved varieties, advanced production methods, or more protective handling during transit. However, for the kinds of fresh and processed fruits produced in large volumes in the United States, no other country can as consistently supply large volumes of exceptionally high quality.

The foreign shippers have an additional incentive to maintain sales to Western Europe. The largest market for U.S. fruit is the United States, and some U.S. export firms, whether small or large, cooperatives or not, tend to disregard the need for continuity in supplying Western Europe. In contrast, representatives of the fruit export programs for South Africa, Israel, and New Zealand, for example, are aware of their great dependence on EC markets and the need for continuing business there. This distinction appears to be less important each succeeding year, but some importers still mention it as a factor influencing their decisions.

<sup>2</sup>James P. Houck. *Agricultural Trade: Protectionism, Policy and the Tokyo/Geneva Negotiating Round*. Unpublished paper, Dept. of Agricultural and Applied Economics, Univ. of Minnesota, July 1979.

Another inhibiting factor is that importers must deal with many U.S. shippers to obtain supplies of various fruits, but to obtain fruit from South Africa or Israel, for example, they need contact only one centralized, state-controlled export structure.

Some U.S. firms have foreign sources of fruit supplies. This development has been quite limited among cooperatives, but some of their competitors now obtain substantial volumes from other countries. For example, importers mentioned that California-based firms process and ship Italian prunes, other processed Italian fruits and vegetables, and South African canned fruits to Western European markets.

A perennial problem in selling U.S. fresh fruit to Western Europe arises from the customary practice there to buy on consignment. In a consignment sale, the commodity is shipped to the foreign importer, and payment to the U.S. exporter is deferred until the importer has resold the commodity. The importer provides a statement showing the gross sales value, his expenses, his commission, and the net amount due the exporter.

For the exporter, this is a high risk method of payment. If there is a sharp drop in price on the foreign market, exceptional deterioration of a perishable product, or an inaccurate cost statement from an unscrupulous importer, the exporter may not receive enough to cover his transocean freight. Conversely, it is a low-risk situation for the importer. He cannot lose money except under extraordinary circumstances where the receipts from his sales are less than his expenses.

Thus, in a consignment sale the seller bears the risk of a drop in market prices, while in a sale based on cash against documents—payment in full by the buyer when certain documents are delivered to his bank—the buyer takes the risk of a price drop.

A well-established U.S. cooperative exporting fresh fruit can minimize its risks by dealing with reputable importers, and by making sales to some markets for cash against documents, but it may not always be possible to rule out consignment sales to all Western European markets. The pressure on U.S. shippers to meet the competition will continue, as long as suppliers in some major competing countries make all sales on consignment.

In many countries, a letter of credit minimizes the payment risk for the exporter, but this payment term is almost never used for sales of either fresh or processed fruits to Western Europe. Thus, a cooperative's payment strategy for serving that area requires some flexibility.

## **Transocean Freight**

The high cost of transocean freight, especially for ocean freight (surface) but also for air-freight, is a prime factor in limiting exports of U.S. fresh and processed fruits to Western Europe. It is a problem area involved in serving the Western European market and was mentioned repeatedly by importers interviewed in April 1980.

The problem is not new. In the early seventies, a group of California firms exporting fruits, vegetables, and nuts formed a shipping association called Pacific Agricultural Cooperative for Export (PACE). Several of the members are farmer cooperatives.

Similarly, two cooperatives with headquarters in California and Texas have joined with a

noncooperative firm in Florida to coordinate shipments to obtain lower rates on combined loads of greater volume.<sup>3</sup> Palletized loads of oranges move via truck from California to Texas, are loaded aboard ship with Texas grapefruit, and more grapefruit are loaded at a Florida port. Each shipper benefits from the lower rates.

An association formed under the Webb-Pomerene Act, as amended, permits development of a joint enterprise involving both cooperatives and other firms. Sales prices and freight rates can be negotiated for shipments to foreign destinations without violating antitrust laws regulating domestic business activities. Thus this enabling legislation permits member firms to closely coordinate their export activities and capitalize on the advantages inherent in a large volume of business.

Some fruit-exporting cooperatives do not consistently ask importers to obtain freight rate quotations. It is generally desirable for both buyer and seller to obtain rates, and then select the delivery term of sale that permits use of the lowest freight rate. This is not always possible, however, because obtaining a low rate from an undependable shipping line may ultimately be more expensive than a higher rate for prompt and efficient delivery.

## ALTERNATIVE MARKETING STRATEGIES

### Individual Cooperatives

Export marketing is not a simple extension of domestic marketing, and new strategies are essential to comply with different and changing conditions in each marketing area. Market intelligence, employee expertise, and strategic planning are essential elements for success.

Some fruit-exporting cooperatives now have well-established marketing strategies. Others remain in the developmental stage.

**Sales Representatives.** Selection of overseas sales representatives involves key decisions in export planning. There are essentially four alternatives in the degree of exclusivity granted to a sales representative:

- *No exclusivity.* The U.S. cooperative will sell its commodity to any reputable buyer with whom a satisfactory deal can be developed.
- *Limited exclusivity.* All sales of the cooperative's commodity that are made under its brand name(s) are channeled through the sales representative, but quantities not under its brand name may be sold to qualified importers without payment of commission to the representative.
- *Broad exclusivity.* All sales of the cooperative's commodity, whether under its brand name(s) or not, are channeled through the sales representative, but in a few instances involving large-volume buyers, no commission is paid to the representative.
- *Complete exclusivity.* All sales of the cooperative's commodity are channeled through the sales representative, who is paid a commission on them whether the commodity is unbranded, under the cooperative's brand(s), or under the buyer's brand(s).

<sup>3</sup>News item in *The Packer*, published by the Vance Publishing Corporation, Shawnee Mission, Kansas, April 12, 1980.

A cooperative's selection of alternatives may vary by commodity and by market area.

The requirements for the representative also may vary. The representative may be prohibited from making any sales for other suppliers, restricted to sales of commodities for other suppliers that do not directly compete with the cooperative's commodities, or permitted to make sales for other suppliers if permission is specifically granted by the cooperative.

Thus, a marketing strategy is needed to set basic guidelines within a flexible framework.

**Sales Coordinators.** At least one U.S. fruit-exporting cooperative employs a sales coordinator to work with its sales representatives in major Western European markets. Market intelligence information is pooled, and decisions are based on conditions in all markets served.

Operating flexibility is the primary objective. The sales coordinator assists in planning shipments to the various markets on the basis of price and volume in each market, and redirects some shipments to other markets when unexpectedly large volumes from the United States or other countries depress prices on a given market.

Price is not the sole factor in making such decisions. The longrun advantages of maintaining continuity of sales on a market may offset, for part of the volume at least, a shortrun advantage in price.

The diversion of deliveries also may be selective. For example, only the smaller sizes of the fruit may be redirected to another market.

A sales coordinator also is in a strategic position to anticipate future developments and to devise ways to adjust to them.

**Importers.** Sales through foreign sales representatives are made to specialized importers or to domestic users, either processors or institutional/wholesale/retail distributors. In any event, someone must perform the import function.

The principal distinction between a sales representative and a specialized importer is that the former acts as an intermediary in developing sales made by the cooperative to third parties, whereas the importer buys from the cooperative and resells to third parties. The importer also maintains storage facilities and may have packaging or other handling facilities.

The customary practice is for cooperatives to deal with both sales representatives and specialized importers. A cooperative may concentrate on very large importers who regularly supply hundreds or even thousands of retail outlets, other large-scale importers, or medium-to-small firms that provide special services, such as obtaining red tart pitted cherries and other commodities for the bakery trade.

In most instances, it is not possible to sell directly to food processors because they usually prefer to let another firm perform the import function. The exceptions are generally very valuable sales accounts.



Dealing with only one or several specialized importers in a market is an alternative to using overseas sales representatives.

Some large importers in Western Europe buy for delivery to other markets, as well as to the market in which they have their headquarters. For example, consumer cooperatives throughout Scandinavia now have a single import affiliate. Another alternative has recently become feasible; that is to select one import firm to handle distribution of a U.S. cooperative's commodities throughout most of Western Europe.

**Special Sales Opportunities.** U.S. cooperative export executives can best discover new sales opportunities by making periodic visits to foreign markets. The executive may interview persons who are engaged in international trade, or closely associated with it, make checks on credit ratings and performance records of recommended firms, and then select individuals and firms to receive sales offers.

A few hints may help some executives capitalize on special sales opportunities:

- Contact an importer before the shipping season begins. Most Western European fruit importers of substantial size already have established supply sources in the United States, as well as other countries, and a new supplier must enter the scene before the importer has contracted to buy the supply he needs.
- Push sales during seasons when shippers in other countries—especially those who have a price advantage due to location or preferential treatment with regard to import restrictions—have little or no supplies to offer.
- Emphasize to importers the advantage to them of buying continuously from U.S. exporters whenever supplies from major competing countries are available for only part of the period U.S. supplies are available. Consumers may be reluctant to switch from one variety or grade to another and then back to the first one, even though the competing supplies may be purchased at lower prices for a short time. Further, the importers who buy continuously from U.S. suppliers may be more assured of an adequate volume throughout the entire U.S. shipping period.
- Emphasize dependability of supply inherent in grower participation in a cooperative. Some importers believe this is a significant advantage for U.S. farmer cooperatives; they also believe there is better quality control from field to loading dock.
- Recognize differences among consumer preference patterns. Western Europe is not a homogeneous market. Consumer preferences vary considerably, and shipments to individual markets must be tailored accordingly. For example, West Germans usually prefer the smaller sizes of each kind of fresh fruit, whereas Danes prefer the larger sizes.
- Supplying sample quantities of a fruit is a way to build sales, but there are pitfalls. To be useful, the samples should represent the kind and quality of fruit that the cooperative has in substantial volume. Sending unrepresentative samples is a waste of time. This generalization does not preclude selection by size or some other characteristic if the supplier can actually provide a sufficient volume, however.

## Groups of Cooperatives

**Promotion.** Several importers interviewed during the course of this study recommended increased promotional activity by U.S. fruit cooperatives as a way to increase total volume of sales or average price per unit.

Reference was made to promotion of individual cooperative brands and to commodity promotion for total U.S. shipments. Most of the importers favored brand promotion. However, some of the largest firms receive fresh and processed fruit in bulk and repackage it in retail-size units under their own brands; they show only the country of origin, not the shipper's name or brand. Such firms favored commodity promotion.

Past programs for almonds, fresh cranberries, canned fruit cocktail, and canned peaches were cited as especially effective. FAS personnel and funds were mentioned as factors contributing to success. Instore promotions were said to be more effective than media advertising in some markets.

Farmers in this country have formed and participated in thousands of marketing cooperatives. Through joint action, they have been able to control the sale of their commodities and share the net margins.

Size is never the sole determining factor for efficiency, but success in exporting usually is impossible without a relatively large volume of business. Most marketing cooperatives do not have the volume, expertise, structure, or resources needed for effective exporting.

In this study, no fruit cooperative executive indicated interest in a new export activity involving a group of associations. However, neither did one rule out such a possibility. Alternative marketing strategies that could capitalize on the joint strengths of groups of associations, merit their consideration.

Export problems, opportunities, and marketing channels for fruit-exporting cooperatives are essentially the same as those for associations exporting vegetables, tree nuts, and peanuts. In fact, some fruit cooperatives also export vegetables or nuts. A multicommodity venture could serve about 40 cooperatives, 50 percent more than a similar activity restricted to fruit-exporting cooperatives only.

Several Western European importers suggested that an existing specialized nut-exporting cooperative might serve as a model for fruit-exporting associations, especially those that have not had a great deal of export experience.

**Advantages and Disadvantages of Joint Programs.** The discussion of alternative marketing strategies for individual cooperatives focused on plans and programs involving sales representatives, sales coordinators, importers, special sales opportunities, and promotion. Each strategy of potential value to a single cooperative also could be used in a joint program, and perhaps more effectively.

The potential benefits of a joint export program arise from the inherent advantages of

one large volume of business over a group of unrelated and uncoordinated small volumes of business. Some of the most important are:

- Lower average costs per unit of product sold.
- More and better services to foreign buyers.
- Larger volumes of product available to buyers interested only in large volumes.
- More packages, packs, and products available to buyers desiring a product line or different packs for different sales outlets.
- Greater bargaining power in negotiating for top prices.
- A more complete package of services for member associations, including product quality control, export financing, cost accounting for export operations, legal services, market and marketing research, central billing and records for export sales, a joint brand, promotion and sales materials, overseas advertising campaigns, foreign market development activities, and procurement of shipping space, whether for space on a vessel or for chartering an entire vessel.
- Lower total investment by producer-members of the member associations, in terms of money and manpower, to obtain efficiency in export marketing.
- Ability to hire and maintain a competent staff with sufficient expertise in all phases of exporting.
- Greater assurance of being able to continue to serve foreign buyers when product supplies are low, and to increase export sales when product supplies are high.
- Wider product recognition among foreign buyers by using a single brand name.
- Greater flow of market intelligence to and from foreign representatives and buyers.
- Increased opportunities for constructing export-marketing strategies which are technically sound and economically effective.

Potential disadvantages of a joint export program include:

- Less local control over export-marketing decisions concerning a member cooperative's products, as a result of delegation of authority to the export cooperative.
- Less flexibility in a member cooperative's export operations.
- Less opportunity to manipulate the size of an export staff and facilities to comply with changing domestic supply/demand conditions. (This can be a major consideration for a

member cooperative interested in sporadic foreign sales to clear the domestic market of periodic surpluses, but is not a factor in a continuing export sales program.)

- Loss of investment in a brand name owned by a member cooperative. (This assumes sale of branded products, previous use of a brand name for exporting by the member association, and a decision by the new association to establish a single brand name.)
- Delays in business decisions or actions as a result of time spent in coordination of efforts by all participating member associations.

If a joint program is to be effective:

- Leaders of each member cooperative must be convinced they can do a better job of export marketing collectively rather than separately.
- There must be an appropriate product mix.
- Geographic locations of supplies, processing and storage facilities, transportation facilities, and port-loading facilities must permit efficient handling.
- Competent staff must be available.
- Sources of capital must be adequate.
- Producer-members must be informed and in support of the proposal.
- Each association must bear its share of the financing and commit for export a specified minimal percentage of its annual volume of product.

**Kinds of Joint Programs.** Fruit, vegetable, and nut cooperatives may find it mutually beneficial to form either a centralized export service cooperative or a centralized export-marketing cooperative. Each member cooperative would retain its corporate entity and act independently of other members on matters not directly related to export marketing. Control, risks, expenses, and net margins or losses in exporting would be shared among members according to prior agreement.

The new, jointly controlled cooperative could function on either a regional or nationwide basis, but the latter likely would provide greater opportunities for increasing net returns to growers.

*Centralized export service cooperative.* An association of this kind could be highly specialized and provide a single basic service, such as dealing exclusively with ocean freight, one of the major problem areas for U.S. cooperatives exporting fruits and other foods to Western Europe. Initially, the centralized service cooperative could arrange shipments to that marketing area only, and later expand to arrange both air and surface transportation to Japan and other market centers.



With its greater bargaining power, the centralized service cooperative could book space or charter entire vessels at minimal rates, as well as combine shipments to use jumbo jet planes to deliver top quality, perishable products at a lower cost per unit than is now possible. A single plane load might go to one or several markets in Western Europe.

Alternatively, a centralized export service cooperative could be diversified, rather than specialized, and could provide several basic services. Included could be any or all of the following: coordinate all export activities of member cooperatives, provide export management services, gather market intelligence, select foreign buyers, refer sales inquiries to members, handle negotiations with buyers, develop the final terms of sale between a member cooperative and a foreign buyer, bear responsibility for preparation and handling of documents needed, and arrange for financing and marine insurance when necessary.

Such a centralized export service cooperative would not buy and sell commodities. Instead, each member cooperative would act as seller/shipper. The member association would sign the sales agreement with the buyer, procure agricultural commodities that met the requirements of the foreign buyer and his government, deliver the commodities to a designated domestic shipping point or to a U.S. air or sea port of embarkation, and bear the risk involved in collection of payments for commodities shipped.

*Centralized export-marketing cooperative.* A centralized marketing cooperative could provide all of the services of a centralized service cooperative, but would take on added responsibilities. It would take title to the commodities supplied to it by other farmer-controlled cooperatives and perform the export-marketing function.

This kind of export cooperative would have complete authority for all export sale decisions. Each member cooperative would be under contract to supply for export a minimum proportion of its commodity volume.

The export marketing cooperative would operate a pool for each major commodity. Under each pooling arrangement, an advance payment would be made to each participating cooperative, and later, the annual net margin would be prorated on a patronage basis.

The export cooperative would:

- Gather market intelligence.
- Select foreign sales representatives and a Western European sales coordinator.
- Select foreign buyers, handle all negotiations, and sign sales agreements with buyers.
- Make all decisions on which quantities of available commodities would be shipped to buyers.
- Conduct negotiations and handle arrangements for air and surface transportation overseas.

- Bear the responsibility for preparation and handling of all documents needed.
- Arrange for financing and marine insurance.
- Bear the risk involved in collection of payments for commodities shipped.
- Develop and manage large-scale promotion programs overseas.

The export marketing cooperative might also serve as the medium through which member cooperatives could work with FAS to seek reductions in Western European import restrictions, a major problem area.

Each member cooperative would be responsible for procurement of supplies of the agricultural commodities needed, make sure they meet the requirements of the foreign buyer and his government, deliver them to a designated domestic shipping point or to a U.S. air or sea port of embarkation, and bear the risk of a loss if the export cooperative fails to realize as much on sales as could have been made from foreign sales through some other intermediary or from domestic sales.

## CONCLUSIONS AND RECOMMENDATIONS

Fruit cooperatives have penetrated more deeply into the export-marketing process than other cooperatives. They have far more overseas sales offices, larger shares of total U.S. exports of their commodities, established sales outlets in more foreign countries, higher proportions of direct sales to foreign buyers, more sales providing delivery to foreign destinations, and brand names recognized by millions of consumers in many countries.

The Western Europe market area has traditionally been the U.S. fruit cooperatives' major foreign sales outlet, but the volume to Southeast and East Asia has risen dramatically in recent years. In 1976, the latest year for which nationwide cooperative export data are available, Western Europe ranked first for cooperatives' processed fruit and second to Southeast and East Asia for fresh fruit. Political and economic changes have occurred in the Western European market, and more are anticipated. During the eighties, U.S. fruit cooperatives must capitalize on every legitimate opportunity to maintain or increase their sales to Western Europe if they, as a group, are to remain a major supplier to that market.

### Principal Conclusions

Two problem areas clearly are of greatest concern to foreign importers and cooperative exporters of fruit. One pertains to import restrictions and the other to transocean freight costs. Only the latter will be discussed here because there is relatively little that individual cooperatives can do to reduce import restrictions.

**Transocean Freight.** The impact of high freight rates on prices for U.S. fruits, vegetables, and nuts delivered to Western European markets is steadily increasing. New approaches and techniques are needed.

The results of a transportation study conducted during the early seventies could be helpful as a starting point in a new analysis of present and future opportunities to reduce

surface and air transportation costs from the United States to Western Europe.<sup>4</sup> For example, least-cost routes from the Western United States to Western Europe were calculated for apples, grapefruit, grapes, lemons, and oranges. Rates have changed, and the shipping problem has become more difficult, but many facets of the problem are essentially unchanged.

**Working with Importers.** Two basic realities are involved in working with foreign importers: (1) international trade is conducted between *people*, not corporations or market facilities, and (2) the environment in which international trade occurs is highly complex and requires a great deal of expertise and flexibility.

It is important not only for export sales representatives and export managers to recognize these realities, but also for the officers, directors, and top executives of exporting cooperatives.

No two import executives, import firms, or foreign markets are identical. Even in the countries of Western Europe, where conditions are more nearly like those in our domestic markets than in any other country except Canada, business practices, customs, import regulations, trade barriers, standards relating to pesticides and additives, currency, and other market conditions vary considerably. And changes may occur very quickly.

There is no substitute for frequent, personal contacts with importers.

During the course of this study, several importers commented that a few U.S. fruit-exporting cooperatives are too inflexible in their pricing and service policies. True or not, export executives should review their operating policies and practices regularly to seek improvements.

Some importers emphasize that past experience in exporting is very important, but there must be sufficient flexibility to meet changes in consumer product preferences, shipping requirements, competitive conditions, and practices of competitors.

Thus a cooperative export department must have a high degree of expertise and flexibility to function effectively in a complex trade environment. It also must provide for regular contacts with key importers. Fortunately, some U.S. fruit-exporting cooperatives now have those capabilities and others are acquiring them.

**Joint Action.** Fruit-exporting cooperatives can obtain the benefits associated with a substantial increase in volume by enrolling more member growers, purchasing competing firms marketing the same or similar commodities, or pooling their volumes in a joint activity. It appears likely that an increase in volume would enable cooperatives to compete more effectively in the Western European market, and a joint activity is the most practical way to obtain it.

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<sup>4</sup>T. Q. Hutchinson, L. A. Hoffman, and R. L. Parlett. *Improving the Export Distribution System for Fresh Fruits and Vegetables*, Econ. Res. Serv., U.S. Dept. of Agri., Mktg. Res. Rpt. 1027, August 1974, 82 pp.

The sales agencies of some competing countries, including South Africa and Israel, now have a competitive advantage in terms of centralization and coordination. It can be offset, in part at least, by forming a U.S. centralized export service or marketing cooperative.

A coordinated export program can utilize the marketing strategies available to an individual association, and also maximize results through greater volume and adoption of additional strategies that are related to a larger volume.

Joint action thus may be the most important export-marketing strategy that fruit, vegetable, and nut cooperatives can adopt.

Joint action would require commodity commitments, greater expertise than most fruit-exporting cooperatives now have, increased market intelligence and sales systems, and involve more commodities from more production areas than any existing cooperative now has. Financing and management would become larger and more complex areas of activity.

There are precedents for joint exporting of fruits, vegetables and edible nuts, including Diamond-Sunsweet, Inc., and California Valley Exports.

**USDA Sources of Assistance.** The most successful fruit-exporting cooperatives use USDA's informational, research, advisory, and promotional assistance facilities to a greater extent than other cooperatives exporting the same or related commodities. FAS is the primary source of export assistance in USDA. Its staff in Washington, the Agricultural Counselors/Attaches stationed in foreign countries, and the agricultural trade offices in key foreign locations can provide a broad range of assistance.<sup>5</sup>

Most exporting cooperatives need to establish a greater two-way flow of information with key individuals in USDA. The cooperatives can obtain a great deal of useful information, most of which is published, and also help individuals in USDA gain greater understanding of cooperatives' problems and needs.

**Recommended Action** Fruit-exporting cooperatives should initiate an economic feasibility study to determine what kind of coordinated program can best maintain or increase their sales to Western Europe.

The minimal goal would be to establish a joint transocean freight cooperative to serve fruit cooperatives exporting to Western Europe. The ultimate goal would be to create a centralized export-marketing cooperative to serve, on a worldwide basis, not only U.S. fruit-exporting cooperatives but also associations exporting vegetables and edible nuts.

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<sup>5</sup>Brief descriptions of the many services available from FAS and other agencies in USDA, including the Cooperative Marketing and Purchasing Division of ACS, are provided on pages 67-70 of *A Guide for U.S. Exporters of Fresh and Processed Fruits and Vegetables to Japan*, Michael L. Humphrey, For. Agri. Serv., U.S. Dept. of Agri., FAS M-293, 74 pp. Mar. 1980.





**U.S. Department of Agriculture  
Agricultural Cooperative Service**

Agricultural Cooperative Service provides research, management, and educational assistance to cooperatives to strengthen the economic position of farmers and other rural residents. It works directly with cooperative leaders and Federal and State agencies to improve organization, leadership, and operation of cooperatives and to give guidance to further development.

The agency (1) helps farmers and other rural residents obtain supplies and services at lower costs and to get better prices for products they sell; (2) advises rural residents on developing existing resources through cooperative action to enhance rural living; (3) helps cooperatives improve services and operating efficiency; (4) informs members, directors, employees, and the public on how cooperatives work and benefit their members and their communities; and (5) encourages international cooperative programs.

The agency publishes research and educational materials, and issues *Farmer Cooperatives*. All programs and activities are conducted on a nondiscriminatory basis, without regard to race, creed, color, sex, or national origin.